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DIRECTORATE OF INTELLIGENCE

AUGUST 1985

CENTRAL AMERICAN MONTHLY REPORT #25

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PERSPECTIVE

The Sandinista leadership moved to tighten control over the party and state bureaucracies during August, while continuing to pay lip service to democratic processes. Changes made at the Sandinista National Liberation Front (FSLN) assembly in early August appear to signal a streamlining of the party apparatus as well as a hardening of its ideological line. Similarly, the regime has shifted government personnel and reportedly is poised for additional changes in economic management to cope better with the flagging economy. At the same time, Managua is opening the constitutional drafting process for input from all domestic sectors, despite its rejection of a dialogue with opposition groups.

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In an apparent effort to demonstrate that the revolution had not lost its vitality, several Sandinista leaders indicated in late July that external and internal pressures had prompted changes in the FSLN. The party's chief administrator, Bayardo Arce, maintained that reorganization was necessary to meet the challenges posed by growing US "aggression" and economic and political difficulties. In addition, FSLN public statements indicated a growing concern that popular support for the regime is waning and must be cultivated through new party activity.

This memorandum was prepared by the Central America North and South Branches, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 1 September 1985. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA.

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Interior Minister Borge repeatedly has complained of a lack of popular participation in revolutionary activities and recently lamented to a US Embassy official that the revolution had become too bureaucratic and out of touch with the people. 

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Rising to these challenges, the nine-member FSLN National Directorate met with second-echelon leaders of the Sandinista assembly to streamline party structures and forge greater coordination in implementing policy, according to press and US Embassy reporting. The meeting established an Executive Committee headed by President Ortega and composed of Defense Minister Humberto Ortega, Borge, Arce, and Agriculture Minister Wheelock. The new body maintains the existing balance of the three FSLN factions and is charged with implementing and coordinating Directorate decisions. In addition, the assembly was expanded from 80 to 105 members, bringing new blood into the system. Press reports indicate that regional FSLN committees and other lower-level bodies were to be reorganized as well. 


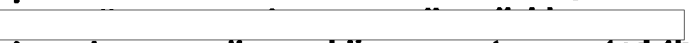

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The FSLN assembly also demonstrated a hardening of the ideological line and increased linkages between party and state. According to press reports, cadre training and popular mobilization will be emphasized. Arce has admonished the party organ, Barricada, to reflect FSLN positions more faithfully. Moreover, the Sandinistas announced that the positions of the various FSLN regional coordinators and those of the President's regional representatives would be combined, thereby extending the melding of party and government functions. 

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Changes also have been reflected in the government bureaucracy. 



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 only persons devoted to the revolution occupy vital government posts. Recent changes in the Ministry of Foreign Affairs have been designed to consolidate power in key positions as well as ensure the ideological and political reliability of incumbents,  Concern that corruption and waste have been eroding public support prompted the regime to replace the Minister of Health--despite her party credentials--after a scandal rocked her administration. 

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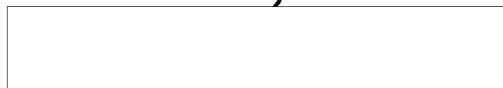
A shakeup in economic leadership also may be pending. 

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 leaders are becoming increasingly concerned about triple digit inflation and falling agricultural production. According to press reports, drought has further reduced export crops already damaged by disease and poor planning. 

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In the midst of indications of a hardening line, the Sandinistas have opened the constitutional drafting process to domestic sectors outside the National Assembly, demonstrating the regime's continuing concern with projecting a pluralistic image to international observers. Various reports indicate that the constitution already has been drafted in concept--if not in full--and previously established Assembly rules probably have guaranteed that it provides for the institutionalization of the




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Sandinista regime. Moreover, the opposition coalition remains divided on participation, and any attempt to voice its opinion likely will be lost amid the comments from other domestic sectors, including the many Sandinista mass organizations. 

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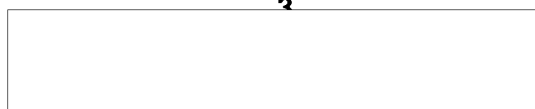
The Sandinistas' increased attention to institutional matters suggests that, despite the diversion of energy caused by the anti-Sandinista insurgency, they remain intent on consolidating the revolution. The recent shakeup, which rationalizes the National Directorate's control over party and state, probably will result in more vigorous implementation of Sandinista programs. We do not believe, however, that the personnel changes portend significant shifts in policy over the near term. 

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[REDACTED]

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NICARAGUA

The rebels continued to make their renewed presence felt in Nicaragua, increasing the costs of the war to Managua. In the first days of August they launched a campaign in the northwest near Esteli. Departing from their usual tactics and employing several hundred troops in large-unit, coordinated attacks on high visibility targets, the rebels held La Trinidad for several hours and hit bridges and electrical towers. Rebel casualties appear to have been much higher than usual because of these tactics --guerrilla leaders admit of at least 50 killed in the operation. At the same time, other insurgent units attacked the town of Cuapa in Chontales Department. [REDACTED]

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[REDACTED]

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[REDACTED]

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[REDACTED] aircraft--including two MI-25s--deployed to forward airstrips in the northwest, giving the field commanders more flexibility in counterinsurgency operations. Late in the month, the regime announced a resumption of the draft and called up some 1,850 new inductees, who were directed to report to their units. [REDACTED]

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Sandinista southern and northern crossborder raids continued. Costa Rica protested a number of overflights and ground incursions by Sandinista troops during the month. On 27 August a Sandinista patrol exchanged fire with a civil guard post, causing minor damage to a rural clinic in Costa Rica, according to press reports. At mid-month, a Sandinista patrol in Honduras killed a Honduran sergeant in a firefight with a border post. [REDACTED]

COSTA RICA

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In the wake of continuing border violations by Nicaraguan forces. President Monge has tried to be responsive to growing popular anti-Sandinista sentiment while seeking a way to lower tensions. A recent public opinion poll shows overwhelming support for a tough stance toward Nicaragua, and relations with Managua have become a major issue in the campaign leading to general elections in February. San Jose has continued to insist on Nicaraguan acknowledgment of responsibility for the death of two Costa Rican

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[REDACTED]

[REDACTED]

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guards in May before it will agree to bilateral discussions, and Foreign Minister Gutierrez has said publicly a break in relations is possible.

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EL SALVADOR

The government achieved some success in its efforts to combat urban terrorism in August as public security forces rounded up over a dozen urban guerrillas, including two PRTC combatants involved in the killing of the US Marines in June. Both prisoners provided government officials with names and descriptions of others involved in the attack. In the wake of these captures, the government formed a special task force to consolidate its investigations, and launched a public relations campaign to advertise its achievements and maintain its momentum. In other moves, the National Police arrested two high-ranking members of the armed faction of the Salvadoran Communist party, while a newly-formed anti-terrorist squad captured eight insurgents belonging to a radical terrorist splinter group.

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Despite these successes, military leaders remain concerned that public security units are inadequately trained and equipped. A Defense Attache source reports, for example, that the ability of the 5,000 national policemen to react to attacks is hampered by a lack of operable radios and an acute shortage of vehicles.

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The guerrillas increased sabotage and terrorism in the countryside while laying low in the cities and avoiding large scale confrontations with government battalions conducting sweep operations. The rebels destroyed or damaged 36 private vehicles, killed or wounded 18 civilians, and seriously disrupted traffic in the east and north during a six-day transportation stoppage, the ninth this year. The US Embassy also reported that attacks on the electrical grid have been significantly higher this year than last and have caused blackouts and power rationing in the capital.

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[REDACTED] the rebels continue to believe low-risk attacks against the economic infrastructure will further weaken the economy and pressure President Duarte into resuming peace talks.

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In a pastoral letter issued last month, the Salvadoran Catholic Bishops again called for renewal of the dialogue but criticized guerrilla tactics, stating the government, not the rebels, was the legitimate representative of the people. The letter represents the Church's harshest attack to date on the insurgents who responded by accusing the Bishops of bias and questioning the Church's role as mediator. Duarte probably will use the letter to demonstrate increasing internal support for his government and help offset recent leftist-inspired labor and student strikes and demonstrations.

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Meanwhile, President Duarte's already strained relations with the private sector worsened significantly following government decrees to restrict profits on food items, drugs, and auto parts. The business community threatened a general strike to protest rules they claim establish new precedents for government intervention in the economy. Duarte attempted to cool tempers by suspending the decree for 15 days and expressed willingness to meet with private sector representatives to discuss ways to make the profit margin controls more palatable. Constant press attacks on the private sector by government officials and the Christian Democratic Party, however, make overcoming already deep divisions over principle more difficult. Even if a compromise is reached, serious damage has been done to what was an improving investment climate that was helping sustain the tentative economic recovery.

GUATEMALA

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Preparations for the November elections remained on track in August, but steadily deteriorating economic conditions are contributing to the unsettled political climate. Chief of State Mejia has had little success on the economic front since failing last April to overcome private sector opposition to austerity measures. Consequently, Guatemala is headed toward a fifth consecutive year of declining per capita income, and this year's inflation rate is likely to rise to 25 percent, compared to only 4 percent last year.

Guatemala's foreign exchange deficit may climb to \$135 million by the end of 1985.

Political fallout from the worsening economy surfaced on a number of fronts. Mejia was forced to back down on threats earlier this month to nationalize exports in the face of swift and strong objections from the private sector. At the end of August, student-led riots in the capital over increased bus fares caused Mejia to close the main university, subsequently rescind the fare hike, as well as promise wage increases and pledge future government subsidies for public transportation. Meanwhile, the US Embassy reports that junior officers are complaining about rising prices and private sector unwillingness to cooperate in efforts to reverse the economic downturn. Although Mejia may be able to make minor adjustments, badly needed structural economic stabilization measures most likely will be left until the new civilian President takes office in January.

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Fourteen parties and eight presidential candidates are now registered to contest the election on 3 November. Recent polls show the center-leftist Christian Democratic Party has overtaken the coalition led by the National Centrist Union, the favorite earlier this summer. The Union-led alliance collapsed in July when one of the secondary parties withdrew to pursue an independent candidacy. Some moderate political leaders are concerned that the breakup could revive the political fortunes of the right and lead to increased violence. The military also probably fears that rightist violence would weaken democratization efforts and destroy chances of securing vital foreign aid.

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HONDURAS

Armed Forces Chief Lopez continued to reaffirm publicly the military's commitment to hold elections in November despite pressures in some military and civilian circles for a

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[redacted]

postponement. In a speech that won broad popular praise, according to the US Embassy, he specifically ruled out a coup and denounced civilian attempts to press the military to delay the elections. Earlier in the month, a group of labor and peasant leaders--similar to the one that helped the military resolve previous political crises--pledged their support for elections after meeting with senior officers. [redacted]

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Nevertheless, Lopez faces some challenges to fulfilling his election promise.

[redacted]

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25X1 [redacted] In the military, Lopez apparently so far has deftly balanced those who want to remove obstructionist politicians--including President Suazo--in order to keep elections on track against other officers who have begun discussions with at least one prominent presidential candidate on a strategy for an election delay. Lopez could find it more difficult to hold all the various factions in line and maintain enough of an internal military consensus to keep elections on track. [redacted]

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PANAMA

President Barletta's efforts to build a national consensus for economic reforms made little progress in August, prompting unusual public criticism from Defense Chief Noriega. A strike by postal workers shut down mail services, and the umbrella labor group, CONATO, has announced its third march in as many months. Meanwhile, the "national dialogue" convened by the government in early July to facilitate the passage of reform measures disbanded over procedural disagreements. [redacted]

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25X1 Noriega's blast at the administration during armed forces day ceremonies on 12 August sparked rumors of an impending coup, according to press and US Embassy reporting. [redacted] Noriega intended his remarks to pressure government and civilian leaders to resolve their differences and not as a threat to the President's tenure. Moreover, the military-controlled newspapers reacted positively to a subsequent hardhitting speech by Barletta promising negotiations with labor and industry to seek a less stringent reform package. Although his new forceful rhetoric may reduce perceptions of administrative paralysis, the President still must find a way to satisfy international financial requirements and reverse Panama's flagging economy before Noriega loses patience. [redacted]

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REGIONAL NEGOTIATIONS

The Contadora peace process appeared to be running counter to US interests as the Contadora mediators--Colombia, Mexico, Panama, and Venezuela--pressed ahead in their efforts to produce quick results. They visited the individual Central American participants

[redacted]

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to try to resolve security issues and later met with the newly formed Support Group--Argentina, Brazil, Peru and Uruguay--in Cartagena, Colombia. The Contadora mediators were unresponsive for the most part to the concerns expressed by Honduras, El Salvador, and Costa Rica during their trip through the region. The communique issued after the Cartagena meeting failed to address a return to multilateral negotiations, downplayed Costa Rica's border problems with Nicaragua, and implicitly criticized US involvement in the region. Colombian Foreign Minister Ramirez told US Embassy officials that Washington presented the greatest obstacle to Contadora because it was urging the Central Americans--minus Nicaragua--not to sign a draft treaty. Moreover, the Support Group was designated to lobby international opinion against the use of force in the region. Although participants at the Cartagena meeting indicated that a decision had been made to press Nicaragua for democratic reforms, they do not appear to place a high priority on national reconciliation, reportedly characterizing the anti-Sandinista insurgents as "uncontrollable" and not amenable to a democratic solution in Nicaragua. The mediators apparently have worked on a new draft treaty and may present it at a meeting planned for mid-September with plenipotentiaries from the Central American countries.

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NICARAGUAN TRIPS/VISITS

30 July Vice President Ramirez, Agriculture Minister Wheelock, and Foreign Cooperation Minister Ruiz, along with other Nicaraguan officials, attend conference on Latin Debt in Havana. [REDACTED]

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14 August Panamanian General Noriega visits Managua to seek end to military incursions into Costa Rica and presses for bilateral meeting between Nicaragua and Costa Rica to resolve border tensions. [REDACTED]

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14 August Vice President Ramirez, Minister of Foreign Cooperation Henry Ruiz, and other Nicaraguan officials visit Havana [REDACTED]
[REDACTED]

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17 August Luigi Boselli, EEC Permanent Representative for Latin America, visits Managua for talks with Nicaraguan Foreign Minister officials of new cooperation agreement between EEC and Central American countries. [REDACTED]

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21 August Misurasata leader Brooklyn Rivera visits Sweden and Swedish press reports his demands that Managua grant autonomy to Miskito Indians in Atlantic Coast region. [REDACTED]

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30 August Minister of External Cooperation Ruiz, Vice Minister of Foreign Affairs Tinoco, and several other Sandinista officials depart for Nonaligned Movement ministerial meeting in Angola. [REDACTED]

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SIGNIFICANT NICARAGUAN POLITICAL EVENTS

August 1985

Early August	Interior Minister Borge meets with Cardinal Obando Bravo--first official government contact since his return to Nicaragua from investiture in Rome last May.	25X1
3 August	Sandinista National Liberation Front announces selection of party leadership executive commission--Daniel Ortega, Bayardo Arce, Tomas Borge, Humberto Ortega, and Jaime Wheelock-- expansion of FSLN assembly, and new appointments at departmental and regional levels.	25X1
19 August	National consultation process opens on drafting of new constitution and closes at end of month.	25X1
23-25 August	Contadora Foreign Ministers meet in Cartagena for consideration of role of Brazil, Argentina, Uruguay, and Peru in overall efforts to achieve regional peace in Central America.	
25-31 August	Nicaraguan Government announces resumption of conscription summoning some 1,800 Managua-area men to appear for medical and personnel processing.	25X1

NICARAGUAN MILITARY BUILDUP

August 1985

31 July	Soviets to give Nicaragua four additional AN-26 transport aircraft within next two months at no cost, boosting Managua's inventory to six.	25X1 25X1 25X1
15 August	three Soviet ships delivered about 52 military vehicles, to Corinto.	25X1 25X1 25X1 25X1
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[REDACTED]

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[REDACTED]

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15 August

[REDACTED]

**six helicopters--including two
MI-24/25 gunships and one fixed wing aircraft at Jinotega and
three aircraft at Esteli.** [REDACTED]

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[REDACTED]

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[REDACTED]

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COMING EVENTS IN CENTRAL AMERICA DURING SEPTEMBER

Early September	Taiwan Vice President Lee Teng-hui on two-week goodwill tour of Costa Rica, Panama, and Guatemala. <input type="text"/>	25X1
26 August - September	UN Human Rights Special Rapporteur Lord Colville visiting Guatemala. <input type="text"/>	25X1
1 September	Panamanian Legislative Assembly reconvenes, expected to consider labor and industrial code reforms. <input type="text"/>	25X1
2 September	Nicaraguan Armed Forces Day--often includes a parade and display of new military equipment.	
3 September	Core Four to meet in San Jose to coordinate reaction to Cartagena meeting of late August. <input type="text"/>	25X1
15 September	Central American Independence Day. <input type="text"/>	25X1
Mid-September	Meeting of Contradora mediators and Central America representatives. <input type="text"/>	25X1
21 September	Belize Independence Day. <input type="text"/>	25X1
20 September	Salvadoran President Duarte begins private visit to US; scheduled to address United Nations General Assembly on 25 September. <input type="text"/>	25X1
Late September	President Daniel Ortega to attend UN General Assembly. <input type="text"/>	25X1

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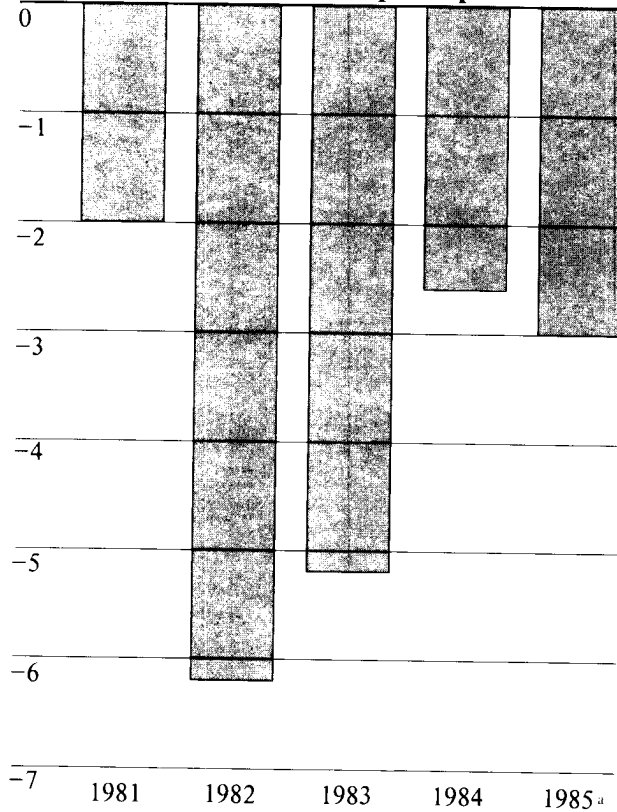
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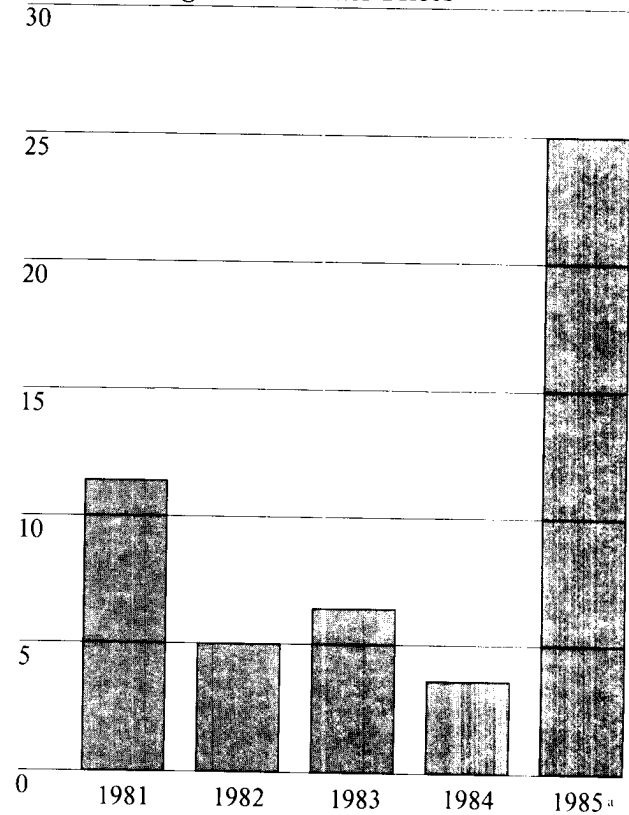
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Guatemala: Economic Indicators

Annual Change in Real GDP per Capita



Annual Change in Consumer Prices



^a Projection.

Major Presidential Contenders

Party (Acronym)	Political Orientation
Christian Democratic Party (DCG)	Center-leftist
Civic Democratic Front (FCD-5) ^b	
Democratic Party of National Cooperation (PDCN)	Centrist/center-leftist
Revolutionary Party (PR)	
National Centrist Union (UCN)	Centrist
National Renewal Party (PNR)	Center-rightist
National Liberation Movement (MLN)	Rightist/extreme rightist
Institutional Democratic Party (PID)	
People's Democratic Force (FDP)	

^b Supports DCG but not in formal coalition.

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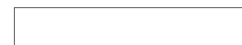
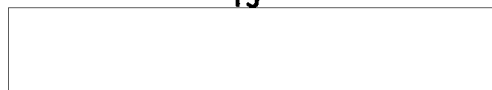
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